

INTERNAL AUDIT OF THE
STEPHENVILLE REGION OFFICE
(STEPHENVILLE, TEXAS)

AS OF JULY 23, 2020

AT THE
TEXAS ANIMAL HEALTH COMMISSION

(REPORT NO: TAHC 2020-002)



MONDAY RUFUS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors

Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Stephenville Region Office (Stephenville, Texas) of the Texas Animal Health Commission (Commission) with respect to the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, economical and efficient use of resources, and accomplishment of established objectives and goals for operations as of July 23, 2020. The results of our tests disclosed that, generally, the Region Office has controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, economical and efficient use of resources, and accomplishment of established objectives and goals for operations. How noted an opportunity to enhance the established processes at the Region Office.

The report that accompanies this letter summarizes our comments.

We appreciate the courtesy and cooperation the management of the Commission showed during the course of the engagement.

Monday Rufus & Co., P.C.

July 23, 2020
Austin, Texas

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Executive Summary

There are six region offices in the Commission's Animal Health Programs including the Willacy County Fever Tick Response Office and the State-Federal Laboratory, Austin. The Stephenville Region Office is located in Stephenville, Texas. The Stephenville Region is staffed with 17 full-time employees (FTEs) comprised of the Region Director, two (2) supervising inspectors, two (2) administrative assistants, and twelve (12) inspectors. The objective of the Stephenville Region Office is to conduct field activities of the Commission through procedures, systems and data automation programs that have been set up to help locate infected and infested animals and herds, keep records of such herds, and the disposition of animals from those herds.

A primary responsibility of the inspectors is to oversee the handling and testing of animals at the livestock auctions and quarantine stock due to animal diseases. There were thirty-three (33) active markets in the Stephenville Region at the time of our fieldwork. The Stephenville Region also covers a total of 73 counties in the State of Texas. **Appendix 3** shows a list of the Stephenville Region counties. During the 2019 year a total of 1,600,612 animals were processed through these livestock markets. **Appendix 4** provides more detailed information on the livestock markets.

The Stephenville Region Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Stephenville Region relating to Animal Health Program work in cooperation with USDA-APHIS-VS and TAHC Central Office in Austin. Two Supervising Inspectors who are charged with the responsibility of coordinating and supervising the work of the inspectors assists the Director.

The inspectors oversee the testing of animals at livestock markets and conduct blood tests for livestock owners who desire to meet certain testing and monitoring requirements for their herds. Inspectors follow-up on certificates of veterinary inspection for livestock (domestic and exotic) entering, leaving, and moving within the state. The inspectors also follow-up on permits issued for livestock entering the state and provide information on the Commission's regulations as well as other states' livestock movement requirements. The inspectors communicate regularly with herd owners and their veterinarians.

The Commission, in cooperation with the USDA-Veterinary Services (Austin, Texas) is charged with disease surveillance, epidemiology, and resolution for livestock producers in the state. The Surveillance Cooperative Services Database (SCS) was developed by the federal government to assist states in the entry and retrieval of surveillance and herd test data for livestock diseases. The Stephenville Region utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.

Internal Audit Results

The Stephenville Region Office has controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, accomplishment of established objectives and goals for operations. However, we noted operations may be strengthened by improving monitoring of data entry into the Surveillance Cooperative Services (SCS) system Data Accuracy Monitoring (DAM) program.

Any insignificant issues noted have been communicated to the management of the Commission as required by *Government Auditing Standards*.

Summary of Management's Response

The Stephenville Region Office acknowledges we did not properly monitor data entry into SCS during Fiscal Year 2019. With additional assignments, Region Office relocation to Stephenville, and the August 2019 retirement of long time Supervising Inspector, completion of this Region Office management tool was unfortunately overlooked.

To address this situation, we are following the Data Accuracy Monitoring "DAM" guidance and our goal is to check multiple entries initially on a monthly basis to ensure quality control of data entry. In the future, data entry will be monitored a minimum of every other month. Currently, reviewed documents are kept in a binder for review by management at any time.

The Stephenville Region Office would like to thank the firm of MONDAY RUFUS & CO., P.C. for the internal audit and their recommendations for improvements to our Region Office policies and procedures.

Objectives and Results

The primary objectives of the internal audit were:

1. Reliability and Integrity of Information
2. Compliance with Policies, Procedures, Laws, and Regulations
3. Safeguarding of Assets
4. Economical efficient use of resources
5. Accomplishment of established objectives and goals for operations

RESULTS

Internal Audit Objective 1: Reliability and Integrity of Information.

Finding 1: Data Entry Should Be Consistently Monitored.

Criteria:

Data entry into the Surveillance Cooperative Services (SCS) system should be independently verified or monitored by an independent person to ensure the accuracy, reliability, integrity of the data, and promotes accountability.

Condition:

We noted that monitoring of data entry into the SCS system was not conducted during Fiscal Year 2019.

Cause:

The TAHC has an agency-wide policy that requires consistent monitoring of data entry into the SCS system. But management of the Region indicated that due to extensive workload during fiscal year 2019, they were unable to conduct monitoring of the data entered by the administrative staff.

Effect:

Auditors selected a sample of data entry transactions for fiscal year 2019 from the SCS system, traced to supporting documentation, and noted no exceptions. However, the lack of

consistent monitoring of data entry makes it difficult to establish accountability and does not provide reasonable assurance on the accuracy of the data being entered and the reports generated and used by the TAHC.

Recommendation:

Stephenville Region Office management should consistently perform monitoring of data entry into the Surveillance Cooperative Services Data Base system to ensure proper accountability and accuracy of data. The monitoring results should be documented in the Data Accuracy Monitoring Summary Reports.

Management's Response:

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To address this situation, we are following the Data Accuracy Monitoring "DAM" guidance and our goal is to check multiple entries initially on a monthly basis to ensure quality control of data entry. In the future, data entry will be monitored a minimum of every other month. Currently, reviewed documents are kept in a binder for review by management at any time.

Responsible Person for implementation: Region Director

Completion Date: August 31, 2020

Internal Audit Objective 2: Compliance with Policies, Procedures, Laws, and Regulations.

The Stephenville Region Office has a system in place to ensure that staff activities comply with policies, procedures, laws, and regulations. The Stephenville Region Office employees have accessibility to printed and/or intranet copies of the Commission's standard operating policies and procedures manual.

Annual performance evaluations are being conducted by Stephenville Region Office management on each employee as required by the Commission's Policies and Procedures manual.

Timely Equal Employment Opportunity (EEO) training is being received by all Stephenville Region Office employees as required by the Commission's Policies and Procedures manual.

The Stephenville Region Office has training procedures for new inspectors which include orientation and obtaining needed training by attending available classes given by other agencies and educational institutions such as the United States Department of Agriculture (USDA) and Texas A&M University.

Internal Audit Objective 3: Safeguarding of Assets.

The auditors obtained the Stephenville Region Office fixed asset inventory listing as of January 31, 2020 and randomly tested 15 (13%) of the 114 fixed assets tagged. All fixed assets were properly accounted for by the employees assigned the fixed assets. All personal inventory items tested and verified appeared to be properly secured.

The weekly activity reports (WFT -Work/Fleet/Travel) are being timely submitted electronically by inspectors and reviewed and approved by the Supervising Inspector. The weekly WFT activity reports include the Stephenville Region Office's vehicle fleet information regarding mileage traveled, repairs and maintenance, and vehicle fuel costs associated with each vehicle in order to monitor the vehicle asset use and determine future vehicle use or replacements.

Internal Audit Objective 4: Economical and Efficient Use of Resources

The Stephenville Region Office provides each inspector the Commission's Field Operations Manual when hired and given intranet accessibility to the Commission's Policies and Procedures manual.

Work/Fleet/Travel (Weekly Activity Reports) are being timely submitted electronically by inspectors and reviewed by the Supervising Inspector. The Supervising Inspector uses the Weekly Activity Reports submitted as a tool to manage the Stephenville Region Office inspectors' workloads. Management consistently reviews and monitors the Weekly Reports to ensure that the inspectors field work is properly reported to the appropriate project codes and activity codes.

The TAHC Executive Director has a monthly teleconference meeting with the Stephenville Region Office management and all other TAHC regions to update them regarding animal program issues and concerns.

Internal Audit Objective 5: Accomplishment of Established Objectives and Goals for Operations

Animal entry permits (E-permit) issued by the Program Records Department at the Commission's Central Office and forwarded to the Stephenville Region Office for field inspectors to verify arrival of animals being moved into the state are being verified by inspectors within 30 days of being issued as required by Texas Administrative Code, Title 4, Part 2 Chapter 51, Rule §51.1.

Field inspectors in the Stephenville Region have an itinerary plan for the week, daily logs, and submit weekly timesheets to the Supervising Inspector in order to monitor and address workloads within the Stephenville Region Office counties.

On-going communication is conducted between the Stephenville Region Office and field inspectors through phone calls, e-mails, or face-to-face.

Appendix 1

Objective and Scope, and Methodology

Objective

The primary objective of the audit was to evaluate the following:

- *Reliability and Integrity of Information*
- *Compliance with Policies, Procedures, Laws, and Regulations*
- *Safeguarding of Assets*
- *Economical and Efficient use of Resources*
- *Accomplishment of Established Objectives and Goals for Operations*

Scope

The audit scope of the internal audit work included ensuring compliance with the Texas Agriculture Code, Texas Animal Health Commission rules, Stephenville Region Office operating policies and procedures. The scope included interviews with Stephenville Region Office Director, Supervising Inspectors, Office staff, and field inspectors. Inspector reports, E-permits, Surveillance Cooperative Services Data Base information, and other pertinent reports and documents were reviewed and tested for accuracy and compliance.

Methodology

The Stephenville Region Office management risk assessment questionnaires were completed related to the Office functions to assist in obtaining information in identifying controls which are in place regarding Stephenville Region Office operations and reporting of data and information to Commission headquarters.

Data Reliability and Completeness

We obtained an understanding of the Surveillance Cooperative Services (SCS) Data Base System, E-permit, Fixed Asset, and Work/Fleet/Travel (Weekly Activity Reports) systems. To ensure reliability, validity, and completeness of the data, we gained an understanding of logical access and general controls and tested those controls as appropriate.

Sampling Methodology

We selected random samples of data from the SCS, E-permit, and Fixed Asset systems. Those sample sizes were not necessarily representative of the population as the intent was not to project test results to the population.

Information collected and reviewed included the following:

- List of employees and dates of employment
- List of inspectors and their assigned markets and designated headquarters
- Agency policies and procedures, rules, and regulations for field offices
- List of terminated employees in fiscal year 2019
- List of assigned fixed assets in inventory as of January 31, 2020
- General Appropriation Act (FY 2018-2019)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Stephenville Region Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Supervisor Work/Fleet/Travel (Weekly Activity Reports) and supporting documentation for management approval and accuracy.
- Tested for accuracy and reliability of information being entered into the Surveillance Cooperative Services (SCS) Data Base system.
- Tested for accuracy, reliability, and timing of entry permits (E-permit) information processed and entered into the Commission's Permit Tracker report
- Tested for supporting documentation on timely elimination of computer accessibility for terminated employees.
- Tested random sample of fixed assets and communicated with inspectors as to safeguarding their assigned assets.

Criteria Used included the following:

- Chapter 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes
- Texas Animal Health Commission Intranet Policies and Procedures
- State Comptrollers Inventory Report for the Texas Animal Health Commission
- Commission's Website
- Review of other pertinent reports and documents

Other Information

Our internal audit was conducted in accordance with *generally accepted government auditing standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

Appendix 2

Background

In 1893, the agency was created to combat the fever tick that plagued the Texas cattle industry. Since then, the Texas Animal Health Commission (Commission) and the United States Department of Agriculture (USDA) have worked cooperatively with livestock producers on animal health issues. In recent years, the agency's primary objectives have been to control and eradicate livestock diseases, such as: Brucellosis in cattle and swine; tuberculosis in cattle; goats and cervidae; hog cholera in swine; pseudorabies in swine; scabies in cattle and sheep; Venezuelan equine encephalomyelitis (VEE); and equine infectious anemia (EIA) in horses.

The Commission's enabling statutes are in Chapters 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes. The Commission is vested with the responsibility of protecting all livestock, domestic animals, and domestic fowl from diseases stated in the statute, or recognized as maladies by the veterinary profession. The Commission is authorized to act to eradicate or control any disease or transmission of any disease that affects livestock, exotic livestock, domestic animals, domestic fowl, exotic fowl, or canines, regardless of whether or not the disease is communicable. In order to carry out these duties and responsibilities, the Commission is authorized to control the sale and distribution of all veterinary biologics, except rabies vaccine; regulate the entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock.

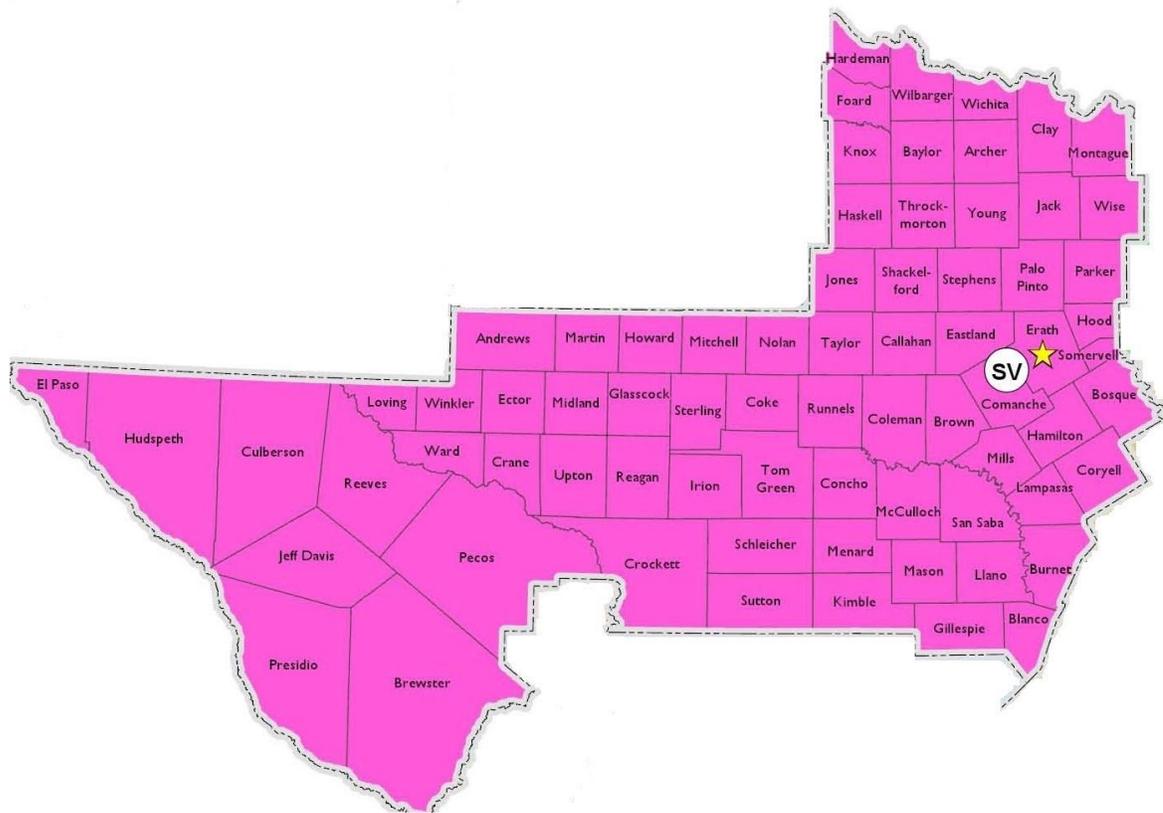
To carry out its mission, the Commission is supported by the veterinary community, competent laboratory system and epidemiology activities which oversee the diagnosis of diseases, and assures appropriate tracing of the movement of exposed and infected animals to determine the origin of infection and minimize the transmission of disease.

The Commission is composed of thirteen members who are appointed by the Governor with the advice and consent of the Senate. The Governor designates the Chair.

The Commissioners appoint an Executive Director who supervises the Commission's activities. The Commission's operating budget is prepared and approved by the Commissioners on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The Commission is funded by a combination of state general revenue funds, federal funds from the U.S. Department of Agriculture (USDA), and fee-based revenue. For fiscal years 2018 and 2019 the Commission has an authorized workforce of 220.2 full-time equivalent employees (FTEs), respectively. The Commission's staff is comprised of field inspectors, veterinarians, veterinary epidemiologists, laboratory personnel, emergency management planners, field investigators, and administrative staff.

Appendix 3



List of Stephenville Region Office Counties

Counties - 73

Andrews	Coryell	Hood	McCulloch	San Saba	Wilbarger
Archer	Crane	Howard	Menard	Schleicher	Winkler
Baylor	Crockett	Hudspeth	Midland	Shackleford	Wise
Blanco	Culberson	Irion	Mills	Somervell	Young
Bosque	Eastland	Jack	Mitchell	Stephens	
Brewster	Ector	Jeff Davis	Montague	Sterling	
Brown	El Paso	Jones	Nolan	Sutton	
Burnet	Erath	Kimble	Palo Pinto	Taylor	
Callahan	Foard	Knox	Parker	Throckmorton	
Clay	Gillespie	Lampasas	Pecos	Tom Green	
Coke	Glasscock	Llano	Presidio	Upton	
Coleman	Hamilton	Loving	Reagan	Ward	
Comanche	Hardeman	Martin	Reeves	Wichita	
Concho	Haskell	Mason	Runnels		

Appendix 4

Summary of Auctions (Unaudited)

Cattle	887,229
Sheep	382,036
Goats	319,035
Hogs	96
Horses	5,375
Exotics	2,128
Poultry	<u>4,713</u>

Total 1,600,612



Appendix 5

Report Distribution

As required by Gov't Code 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning

Attn: John Colyandro
Phone: (512) 463-1778
Budgetandpolicyreports@governor.state.tx.us

Legislative Budget Board

Attn: Christopher Mattsson
Phone: (512) 463-1200
Audit@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator
Phone: (512) 936-9500
iaordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Jennifer Jones
Phone: (512) 463-1300
sunset@sunset.state.tx.us

Texas Animal Health Commission

Coleman H. Locke, Chairman
Joseph G. "Joe" Osterkamp
Jim Eggleston
Kenneth "Ken" Jordan
Wendee C. Langdon, Ph.D.
Joe Leathers
Thomas "Tommy" Oates
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Michael L. Vickers, D.V.M.
Barret J. Klein
Jimmie Ruth Evans
Melanie Johnson, Ed.D.

Texas Animal Health Commission Management

Andy Schwartz, D.V.M., Executive Director